

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IGA-02

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4836

C O N F I D E N T I A L CARACAS 11314

E.O. 11652: GDS

TAGS: PINS, ASEC, EINV, VE

SUBJECT: STATUS OF OWENS-ILLINOIS EXPROPRIATION

1. BEGIN SUMMARY: GOV NEGOTIATOR, CARMELO LAURIA, HAS DEMANDED THAT THE THIRD ARBRITRATOR UNDER INTERNATIONAL CHAMBER OF COMMERCE RULES ON CONCILIATION AND ARBITRATION BE A CITIZEN OR RESIDENT OF VENEZUELA. HE OFFERED OWENS-ILLINOIS THE RIGHT TO SELECT SUCH AN ARBITRATOR IF THESE CONDITIONS ARE MET. COLEMAN OF O-I FEARS THIS TO BE AN ABRUPT DEPARTURE FROM THE LEISURELY APPROACH ORIGINALLY SUGGESTED BY LAURIA WHICH SERVED THE INTERESTS OF BOTH THE GOV AND O-I. AN O-I CONSULTANT BELIEVES THAT LAURIA MAY BE RUNNING A BLUFF. WE ARE NOT SO SURE. COLEMAN HAS TRANSMITTED LETTER REQUESTING MORE TIME.
END SUMMARY.

2. WILLIAM COLEMAN OF OWENS-ILLINOIS CALLED ON THE AMBASSADOR TO BRING HIM UP TO DATE ON COMPANY NEGOTIATIONS WITH THE GOV OVER THE FORCED PURCHASE OF O-I STOCK. COLEMAN EXPLAINED THAT THE DISCUSSIONS HERETOFORE HAD BEEN ON THIS BASIS OF IMPLEMENTING THE INTERNATIONAL CHAMBER OF COMMERCE RULES ON CONCILIATION AND ARBITRATION. THE COMPANY HAD CONCEDED THAT ARBITRATION WOULD BE
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RESTRICTED TO STOCK PRICE AND BOTH SIDES HAD INFORMALLY

NAME THEIR ARBITRATORS. THE THIRD ARBITRATOR, WHO UNDER THE CHAMBER RULES WOULD BE A THIRD COUNTRY NATIONAL, HAD YET TO BE DESIGNATED.

3. THE GOV NEGOTIATORS CALLED A MEETING FOR MONDAY SEPTEMBER 20 FOR THE SIGNING OF A FORMAL AGREEMENT REGARDING THE CONCILIATION AND ARBITRATION PROCEDURES. WHEN MR. COLEMAN APPEARED, HOWEVER, CARMELO LAURIA, MINISTER OF STATE FOR BASIC PRODUCTION, STATED THAT THE GOV WISHED THE THIRD ARBITRATOR TO BE A CITIZEN OR RESIDENT OF VENEZUELA. LAURIA OFFERED TO PERMIT OWENS-ILLINOIS TO SELECT THE THIRD ARBITRATOR IF THESE CONDITIONS WERE MET. WHEN COLEMAN DEMURRED, LAURIA GAVE HIM 72 HOURS TO RESPOND AND ADJOURNED THE MEETING.

4. COLEMAN WAS SET BACK BY THIS PROCEDURE SINCE OWENS-ILLINOIS HAD PRIVATE ASSURANCES FROM LAURIA, APPARENTLY MADE IN NEW YORK WHEN THE LATTER SPOKE BEFORE THE COUNCIL OF THE AMERICAS SEVERAL MONTHS AGO, THAT THE GOV'S INTENTION WAS TO DRAG OUT THE CONCILIATION AND ARBITRATION PROCEDURE. HE HAD COUPLED THIS ASSURANCE WITH HIS STRONG RECOMMENDATION THAT OWENS-ILLINOIS GO ALONG WITH THIS APPROACH. THIS SEEMED TO MEET THE REQUIREMENTS OF BOTH SIDES. FOR THE GOV IT PROVIDED SOME DISTANCE BETWEEN THE NIEHOUS KIDNAPPING CASE AND THE RESOLUTION OF THE FORCED SALE. IT INSULATED THE LATTER FROM THE EMOTIONAL AND POLITICAL PRESSURES OF THE FORMER. FOR THE COMPANY IT PROVIDED A BRATHING SPACE WHICH PERMITTED THEM TO LOBBY FOR A CHANGE IN THE GOV'S ATTITUDE ON THE 100 PERCENT SALE WITH THE ULTIMATE POSSIBILITY OF O-I RETAINING SOME EQUITY POSITION IN ITS VENEZUELAN ENTERPRISE. LAURIA'S DEMAND FOR THE THIRD ARBITRATOR TO BE EITHER A VENEZUELAN CITIZEN OR RESIDENT APPEARS TO COLEMAN TO BE AN ABRUPT DEPARTURE FROM THIS LEISURELY APPROACH AND A RETURN TO CONFRONTATIONAL TACTICS.

5. COLEMAN HAS EMPLOYED MAN OF ALL POLITICAL WORK, EUGENIO SOLER, A FORMER CUBAN EXILE WITH SUBSTANTIAL CONNECTIONS IN HIGH AD PARTY CIRCLES, AS A CONSULTANT. CONFIDENTIAL

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IT IS SOLER'S OPINION THAT LAURIA MAY BE RUNNING A BLUFF AND IS ACTING ON HIS OWN. HE BELIEVES THAT PRESIDENT PEREZ WOULD BE RELUCTANT TO ACT ON THE O-I CASE PRIOR TO HIS VISIT TO THE U.S. WHICH IS NOW TENTATIVELY SCHEDULED FOR FEBRUARY. THIS POINT OF VIEW APPEARS TO BE BORNE OUT BY THE FACT THAT COLEMAN HAS ALSO DISCUSSED THE LAURIA MEETING WITH MINISTER OF THE INTERIOR, OCTAVIO LEPAGE, WHO APPEARED

TO BE GENUINELY SURPRISED BY THIS OUTCOME. WE ARE
SOMEWHAT DUBIOUS ON THIS POINT SINCE WE CONSIDER IT
UNLIKELY THAT LAURIA WOULD ASSUME SUCH A POSITION
WITHOUT SOME FORM OF PRESIDENTIAL APPROVAL OR SUGGESTION.
AT THE SAME TIME WE DO NOT NECESSARILY SEE LAURIA'S
DEMAND AS A SPEED-UP OF THE NEGOTIATING PROCESS.

6. COLEMAN HAS SENT A LETTER TO LAURIA,
POINTING OUT THAT THE 3-DAY DEADLINE IS MUCH TOO SHORT
FOR SUCH A DECISION AND SUGGESTING A MORE REASONABLE
PERIOD OF TIME IN WHICH TO ARRIVE AT A DECISION.
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